

---

# Title-by-Title Summary of the “Housing Preservation, Rehabilitation, and Production Omnibus Amendment Act of 2001”

---

At last year’s *Citizen Summit*, residents spoke about the need for improved neighborhoods and affordable housing. This past spring, Mayor Anthony Williams launched an ambitious initiative to address these critical needs and to increase the quality and quantity of housing in the District. The initiative is aimed at three primary goals:

1. Protecting existing affordable housing and reducing displacement.
2. Converting vacant and dilapidated buildings into new housing.
3. Promoting new housing for people of all incomes.

The centerpiece of the Mayor’s housing initiative is an omnibus housing bill, entitled “Housing Preservation, Rehabilitation, and Production Omnibus Amendment Act of 2001.” This document summarizes and highlights key components of the Mayor’s omnibus housing bill.

## Title I: Due Process Demolition

This title enhances the City’s ability to demolish deteriorated and abandoned buildings. There are approximately 4,000 vacant and tax delinquent buildings around the city. If a building can be rehabilitated, then the Administration feels that it is important to do so. However, there are some buildings that are beyond a point where cost-effective repair is possible and in these cases the city has a responsibility to demolish the buildings in order to promote economic development.

Under current law, the District government can demolish a building if a fire marshal declares it to be imminently dangerous. This legislation would expand the District government’s authority to demolish a vacant structure if it cannot be rehabilitated or if it is not a potential contributing historic structure. The legislation also clearly defines a due process for notifying interested parties prior to demolition.

**Section 101** lists the Council’s findings regarding the need to demolish deteriorated structures. This section is important because it establishes a legislative history of the Council’s intent.

**Section 102** defines several important terms, including which buildings the District government has the authority to demolish. A building may be declared a “deteriorated structure” if it meets *all* of the following criteria:

1. unoccupied;
  2. not secure;
  3. a threat to public health, safety, or welfare, or contributes to the dilapidation of the neighborhood immediately surrounding it;
  4. more likely to be redeveloped if it were demolished;
  5. not designated as a potentially historic structure, or if it is, then the Mayor has determined that it is not suitable for development as an historic structure; and,
-

6. in violation of at least one provision of the District of Columbia Construction or Housing Code (14 DCMR Subtitle A).

**Section 103** requires the Department of Housing and Community Development to provide a feasibility study on the potential for rehabilitating the building.

**Section 104** allows the Historic Preservation Review Board to determine whether the structure is a potential historic structure.

**Section 105** describes the initial notices that the District government must give interested parties (owners of record, title holders and lien holders) before taking action. The District government must describe the property and whether it will demolish or enclose the property if the interested parties do not take sufficient action within 30 days.

**Section 106** describes the actions that the interested parties may take in response to the notice.

**Section 107** describes the final notice the Mayor must give interested parties before taking action. The Mayor must describe the action that the city will take and the interested parties’ right to seek judicial review of the determination within 10 days.

**Section 108** authorizes the District government to demolish or enclose the property within 180 days of the date of the initial notice if the interested parties did not take appropriate action.

**Section 109** describes the Judicial Review process by which an interested party can stay action by the Mayor.

**Section 110** authorizes the District government to place a tax lien against the property for the cost of demolition or enclosure and also authorizes a tax sale of that property if the lien is not satisfied within two years.

**Section 111** includes conforming amendments.

## Title II: Notification of Expiring Use

This title improves the District government’s and tenants’ abilities to preserve affordable housing when an owner of a federally subsidized apartment building decides to “opt-out” of a federally subsidized program. It will give the District and tenants more time to establish tenant associations and work with developers to preserve the affordable units. It does not constrain the owner’s rights to freely convert or sell the building, but it gives the affordable housing community sufficient notice to help each tenant group make the decisions that are best for them

Over the past forty years, building owners entered into contracts with the federal government to provide affordable housing for twenty years in exchange for rent or interest rate subsidies. Twenty years later, owners must decide whether to continue providing affordable housing or to “opt out” of the program and convert the buildings to market-rate rentals or sell them.



Nationwide, jurisdictions are struggling with the challenge of preserving affordable housing opportunities for the tenants whose rental housing is about to expire.

Federal rules already require the owner to notify the U.S. Department of Housing and Urban Development and the affected tenants when their obligation is set to expire. This title will require owners of federally subsidized multi-unit apartment building to notify the District government and residents of their intent to opt-out of a federally subsidized program.

**Section 201** contains the definitions, including which multi-unit apartment buildings must notify the District government and residents of their intent to “opt out” of a federal subsidy program. “Government-assisted rental housing accommodations” is defined as all housing with one or more units that was partially or completely subsidized by the federal government for the purpose of providing housing for low or moderate income individuals or families (such as section 8 of the U.S Housing Act).

**Section 202** requires owners of government-assisted rental housing accommodations to comply with all other applicable laws, including the Cooperative Association Act and the Rental Housing Act, in addition to this Act.

**Section 203** requires owners of government-assisted rental housing accommodations who intend to “opt out” of a long-term contract to notify the Mayor and tenants in writing at least 210 days prior to doing so. It also requires owners who intend to “opt out” of a one-year extension to a long-term contract to notify the Mayor 150 days prior to doing so. The owner must specify his or her intentions to extend the contract or convert the units to market rate.

The section also requires owners to refrain from taking any action during this period that would preclude the District government or tenants from making a competitive offer to the owner, as required by other applicable laws.

**Section 204** authorizes the District government or the tenants to attempt to preserve the affordable housing by negotiating with the owner during the notice and condemnation periods.

**Section 205** requires owners of government assisted rental housing accommodations to provide relocation assistance that meets the standards of the tenant relocation assistance described in section 302 of the Rental Housing Conversion Act for all tenants who experience involuntary displacement.

**Section 206** establishes civil fines for non-compliance. Any owner that fails to comply with the Act must pay civil fines ranging from the costs and damages caused by the noncompliance up to the full replacement cost of each government–assisted rental housing accommodation made unavailable because of the owners’ non-compliance.

**Section 207** specifies that this title does not restrict the Mayor’s power of eminent domain as provided in District law.



## Title III: Targeted Historic Housing Tax Credit

This title proposes a tax credit to working class homeowners who want to renovate their historic homes and to prospective homeowners who are interested in restoring historic homes. The city's historic districts are full of beautiful, well-constructed, but run-down homes. The poor condition of many of these homes and the high costs of renovating them have forced some working class families to leave their neighborhoods and have discouraged other families from purchasing homes in historic neighborhoods.

The tax credit is equal to 25% of the cost of renovation. Homeowners earning less than 120% of the area median income and who live in a targeted historic district are eligible for the tax credit.

**Section 301** amends Title 47 of the District Code to establish the targeted historic housing tax credit.

The section defines who is eligible for the tax credit. Homeowners who earn less than 120% of the area median income and live in one of the following historic districts are eligible for the tax credit: LeDroit Park, Mount Vernon Square, Blagden Alley/Naylor Court, Shaw, Anacostia, Greater U Street, N.W., Greater 14th Street, N.W., Mount Pleasant, and Capitol Hill.

The section also defines what costs can be counted towards the tax credit. The costs must be chargeable to a capital account, must meet the Secretary of the Interiors rehabilitation standards, and must be greater than \$20,000. At least 5% of the costs must be allocated to the exterior, but none costs can be used for acquisition.

In addition, the section establishes a formula to determine the value of the tax credits. A homeowner is provided a tax credit equal to 25% of the eligible rehabilitation costs. A homeowner cannot receive more than \$50,000 in tax credits in 60 months. Families can use (i.e. carryover) the tax credit for up to five years or can sell the tax credit to investors.

To apply for the tax credit, a homeowner will follow a similar process that the District government uses to approve the federal investment tax credits. Once the homeowner has completed the work, he or she will receive a District of Columbia Certificate of Completed Work from the District government. The homeowner will then submit the Certificate with his or her income tax returns.

The Mayor is authorized to pre-approve up to \$1.25 million in tax credits a year for five years between 2003 and 2007. If the Mayor does not pre-approve the total amount of tax credits in a year, then the remaining amount may be pre-approved in subsequent years for up to five years.

**Section 302** establishes that the tax credit can be used against any qualified rehabilitation costs incurred after September 30, 2001.



## Title IV: Low-Income, Long-Term Homeowners

This title proposes tax relief to low-income, long-term homeowners in neighborhoods where property taxes are escalating rapidly. For example, in the Columbia Heights and Shaw neighborhoods, some homeowners have seen assessment increase by more than 50% over three years. For a low-income family, the tax increase can be hard to absorb, and there is the risk that such a family would be forced to move from their home simply because they could no longer pay their property taxes.

This title proposes effectively capping the amount by which the property taxes may increase by providing homeowners an income tax credit equal to the amount that the new real property tax liability exceeds 5 percent of the previous year's liability. Homeowners must have lived in the property for at least 10 years and earn less than 60% of the area median income.

**Section 401** amends Title 47 of the District Code to establish the low-income, long-term homeowners tax credit.

The section defines who is eligible for the tax credit. All taxpayers, regardless of where they live in the city, who have lived in and owned their home for at least ten years and who earn less than 60% of the area median income are eligible for the tax credit.

The section also establishes a formula for calculating the tax credit. An eligible taxpayer is allowed a tax credit equal to the difference between the current year's property tax liability and 1.05 times the amount of the previous years property tax liability.

The section also establishes a procedure for applying for the tax credit. Taxpayers will apply for the tax credit when they submit their income tax forms. Taxpayers are permitted to use the tax credit for up to three years after they are awarded the credit.

**Section 402** authorizes the legislation to apply to taxable years beginning October 1, 2002.

## Title V: Modification of the Housing Production Trust Fund

This title proposes dedicating District tax revenues to the Housing Production Trust Fund and proposes expanding the ways the Fund can be used. The Trust Fund has been inactive since it was established in 1988. During the fall of 2000, the Trust Fund received a \$25 million infusion when the Williams Administration negotiated the sale of the Department of Employment Services' building to the Freedom Forum. This title will enable the District government to promote affordable housing by providing grants and dedicating tax revenues.

**Section 501** amends Section 3 of the Housing Production Trust Fund Act of 1988 to expand how the Trust Fund can be used, to pay reasonable administrative costs, and to dedicate permanent tax revenues to the Trust Fund.

The section expands how the Trust Fund can be used by authorizing pre-development grants to non-profit housing developers. The section approves the use of the Trust Fund to pay for reasonable administrative costs. The section also designates several new funding sources for the Trust Fund. It proposes designating 15% of the real estate transfer and recordation taxes to the Trust Fund and designating proceeds from the sale of abandoned or deteriorated properties that the District acquires through Title VIII of this Act.

**Section 502** specifies that the tax revenues will be dedicated to the Trust Fund beginning in fiscal year 2003.

## **Title VI: Tax Abatement for New Residential Developments and New Homeowners in Enterprise Zones**

This title provides tax incentives to developers to build new housing in certain parts of downtown, to new homeowners in Enterprise Zones, and to developers to build mixed-income housing that includes affordable housing. Property tax abatements are an investment into future tax revenues. The District will quickly be able to make up any foregone property tax revenue from new income taxes, sales taxes, and other revenues. The Office of Tax and Revenue estimates that a family earning \$75,000 a year brings in approximately \$6,500 in new sales, income, and automobile tax revenues a year. A moderate-income family earning \$50,000 a year brings in approximately \$3,700 a year in taxes. Therefore, the abated property taxes will be paid off in about a year and a half year.

In order to minimize the fiscal impact on the District’s budget, the title proposes a cap on the amount of tax credits that can be awarded under each tax abatement proposal. If the Mayor does not award the maximum amount of tax abatements during one of the years, then he can award it over the next five years. If the Mayor approves the maximum amount of tax abatements each year and property assessments stay relatively stable, then the District will forgo approximately \$55.1 million worth of property taxes over the next 12 years. In three years, this tax abatement will help produce 6,500 market rate and affordable housing units.

**Section 601** modifies Title 47 of the District of Columbia Code and establishes tax abatements for eligible residential developments and new homeowners in enterprise zones.

This section defines who is eligible for the tax abatement. Mixed-income housing developments are housing developments of 10 units or more where at least 10% of all units are affordable to low and moderate-income families, and at least 50% of those units are affordable to low income families. Low-income families as those earning less than 60% of the area median income and moderate-income families as those earning between 60% and 80% of the area median income. Eligible downtown neighborhoods include “Housing Priority A” or the area commonly known as North of Massachusetts Avenue.

This section also authorizes four types of tax abatements.

1. A 50% property tax abatement for 10 years on all new multifamily housing developments of 10 or more units in the downtown housing priority A.



2. A 75% property tax abatement for 10 years on all new mixed income housing developments of 10 or more units in which 10% of the units are maintained as affordable to low- and moderate-income households for 20 years.
3. A 100% property tax abatement for 10 years on all new mixed income housing developments of 10 or more units in which 20% of the units are maintained as affordable to low- and moderate-income households for 20 years.
4. A 50% property tax abatement for five years with a five year phase out period for households purchasing and substantially rehabilitating single-family homes in Enterprise Zones.

This section also stipulates the application process. Applicants must apply for the tax abatement prior to the tax year for which it will be granted. Applicants must also be issued a building permit for the property within 180 days of being awarded the tax abatement.

This section clarifies what the abatement can be counted towards. Tax abatement reduces the amount by which a property's tax liability increased between the base year and the current tax year. The base year is the tax year prior to the first tax year in which abatement is first used.

This section stipulates several protections for low and moderate-income households that live in any housing units set-aside in order that the development qualify for the mixed-income tax abatement. The units must be equivalent in size and quality to other units in the development. If the units are not maintained for low and moderate-income households, then the owner shall be assessed a penalty of \$10,000 per year for each unit that is not affordable. The Mayor may waive the penalty on a showing of good cause or because of an act of God.

This section also makes developers ineligible for this tax abatement if they receive benefits from the Tax Increment Financing Authority.

**Section 602** authorizes the Mayor to approve the following amount of tax abatement for tax years 2002 through 2004.

1. \$750,000 for 50% abatements on multifamily housing property.
2. \$500,000 for 75% abatements on 10% mixed-income housing property.
3. \$500,000 for 100% abatements on 20% mixed-income housing property.
4. \$125,000 for 50% abatements on single-family homes in enterprise zones.

**Section 603** amends Section 802 of the Rental Housing Act of 1985 to prevent individuals from receiving multiple income tax credits for the same property.

## Title VII: Modifications to the Homestead Program

This title expands the ability of the Homestead Housing Preservation Program to return abandoned housing to productive use. It permits private developers to purchase multifamily buildings to develop as rental properties and allows the District government to accept unsolicited proposals for homes that were not sold through the Homestead Lottery. The title also helps address the loss of public housing units by authorizing the use of HUD Annual Contribution Contracts in Homestead rental properties. Finally, it creates a Homestead Repayment Fund from which new loans will be made and to which payments will be deposited.





**Section 701** amends the Homestead Housing Preservation Act of 1986.

This section establishes the Homestead Repayment Fund. All repayment of Homestead loans will be deposited into the Fund. The Administration will make future Homestead loans from the Fund. This section also authorizes the use of Annual Contribution Contract payments as rent payments in Homestead properties.

This section expands the means by which properties can enter the program. It authorizes the Administration to accept properties into the Homestead program through foreclosure, donation, or purchase.

This section expands the methods by which the Administration may dispose of Homestead properties. It authorizes the Administration to accept unsolicited proposals for properties that were not purchase through a request for proposals. It authorizes the Administration to sell properties for rental development, rather than just homeownership, if no proposals were received for homeownership. When accepting unsolicited proposals for single-family homes, then the Administration must give preference to homeownership opportunities for low-income households before a proposal for rental is considered. When accepting unsolicited proposals for small buildings with two to four units, at least one unit must be made available for low or moderate-income households.

This section also establishes several time limits for the Homestead program. Homesteaders are required to live in the property for five years from the *completion of renovations*, rather than five years from the *settlement date*. Individual homesteaders are required to rehabilitate the property within *two years* of the start of their technical training program. Organizations developing Homestead properties are required to rehabilitate the properties within *three years* of being awarded the property.

## Title VIII: Modifications to Quick Take

This title is offered as an amendment to Title IV of the “Abatement and Condemnation of Nuisance Properties Omnibus Amendment Act of 2000.” Rather than creating a new condemnation process, it references existing statutes and procedures that have been Constitutionally tested. The condemnation process could apply to both “abandoned” and “deteriorated” properties, which are clearly defined in the title by referencing objective criteria. Rather than requiring a plan for the disposition of the properties, this proposal gives the District more flexibility to dispose of the property, such as the Homestead Program or selling the property to a neighbor who will convert the land into a side lot. This proposal also eliminates the whole block remedy because, unlike Philadelphia and Baltimore, it is unnecessary in the District of Columbia.

**Section 801** includes the Council’s findings regarding the scope of the problem. This section is important because it establishes a legislative history of the Council’s intent.

**Section 802** defines key terms in the title.





“Abandoned property” can either be an *unoccupied* structure or vacant lot on which taxes are in arrears for at least 2 years, or a structure that meets *all* of the following: is unoccupied, an official has determined is structurally unsafe, and the owner has failed to respond to official notices.

“Deteriorate property” can either be a structure or a vacant lot that meets *all* of the following criteria: a.) the property constitutes a threat to public health, safety, or welfare and contributes to neighborhood blight; b.) if there is structure on the property, then the structure is in violation of the District fire, building, or housing codes; c.) the owner has failed to respond to official notices; and d.) if there is a structure on the property, then the structure is *not* occupied by the owner.

**Section 803** authorizes the Mayor to acquire *abandoned* and *deteriorated* properties through condemnation proceedings. This section also authorizes the Mayor to redevelop the property by demolishing or renovating any buildings on the site.

**Section 804** authorizes the Mayor to sell, transfer or otherwise dispose of *abandoned* and *deteriorated* properties for redevelopment after a public hearing has been held on the proposed terms and conditions of the disposition. The Mayor may sell the property at or below the fair market value to a public or private entity, including adjoining property owners. The Mayor may also dispose of the property through the Homestead Housing Preservation Program.

**Section 805** mandates that the Mayor provide the same assistance required by District or federal law to any tenants displaced by an acquisition.

**Section 806** repeals Title IV of the “Abatement and Condemnation of Nuisance Properties Omnibus Amendment Act of 2000.”

## Title IX: Rules, Fiscal Impact Statement, and Effective Date

**Section 901** authorizes the Mayor to promulgate rules to implement this Act.

**Section 902** references the fiscal impact statement of this Act.

**Section 903** establishes the effective date of this Act.



*(UPDATED: May 22, 2001)*

